



USAID
FROM THE AMERICAN PEOPLE

PREPARING BUDGETS FOR USAID ACQUISITION SOLICITATIONS TRAINING MODULE

SLIDE 1: Introduction

Welcome to the “Preparing Budgets for USAID Acquisition Solicitations” module of USAID’s training series. This module is for organizations with limited or no experience working with the U.S. Agency for International Development, but it will be valuable for *any* organization that needs to develop accurate, complete, and reasonable budget proposals in response to USAID acquisition solicitations.

SLIDE 2: Learning Objectives

Each USAID solicitation will include instructions explaining how interested organizations should prepare their proposals, including what is required when preparing a budget. This module will introduce you to the basic rules and principles for developing reasonable, realistic, and consistent cost proposals.

During this presentation, we will review how to effectively interpret USAID acquisition solicitations.

We will learn how to evaluate criteria to identify a good funding fit with your organization.

We will determine key elements needed to prepare accurate budgets in response to solicitations.

And, finally, you will discover resources to help you successfully prepare proper cost proposals.

You probably have questions about specific steps to follow as you prepare budgets. We will explain the steps—and we will also note the most important things you should pay attention to while working on the documents.

As you know, it is important to follow U.S. Government and USAID regulations when you work on budgets. We will show you how to find these regulations. At the end of the module, we will also provide some helpful links to regulations and resources.

SLIDE 3: Why USAID Partners with Organizations

Why is it important for USAID to partner with organizations? USAID's mission is to lead the U.S. Government's international development and disaster assistance efforts. USAID offers this assistance on behalf of the American people through partnerships and investments that:

- Save lives;
- Reduce poverty;
- Strengthen democratic governance; and
- Help people emerge from humanitarian crises and progress beyond assistance.

SLIDE 4: Acquisition and Assistance

USAID has two types of solicitations that may result in two types of awards: acquisition and assistance. They each address different needs.

Assistance awards result in **grants and cooperative agreements**. To be considered for this type of award, you submit an application. If you are awarded a grant or agreement, the Agency provides funds to accomplish a public purpose and will have limited involvement with implementation of the activity.

The second type of funding opportunity—**acquisition awards**—is the one we will focus on in this module. **These awards result in the issuance of contracts**. To be considered for these awards, you submit a proposal. With this type of funding opportunity, USAID purchases goods and services from a contractor for the government's own use or to implement an activity. With contracts, the Agency provides primary direction to the contractors, following strict terms and conditions.

To let everyone know about acquisition award opportunities, the Agency posts announcements that include the specific proposal's requirements. Each announcement includes details about the award process, as well.

You can learn more about different types of funding opportunities in another learning module called "Understanding USAID Awards."

SLIDE 5: Rules and Regulations

Several sets of regulations govern USAID awards of all types, including acquisition awards.

First, in terms of U.S. Government regulations, the Code of Federal Regulations, or CFR, governs how USAID issues acquisition and assistance awards. Within the CFR is a subset of government regulations called the **Federal Acquisition Regulations**, or FAR. The FAR comprises the primary rules that guide how U.S. Government agencies, including USAID, acquire supplies and services. We will discuss relevant sections of the FAR as we review key elements of contracts.

Next, there are the USAID internal policies found in the Agency’s own **Automated Directives System**, or ADS. This document outlines all operational policies, covering all Agency and partner activities. Acquisition awards, in particular, are covered by ADS Chapter 302, which is titled “Direct Contracting.” Many of these requirements will be written into the specific funding solicitations you apply for.

There are also USAID’s **Acquisition Regulations**, or the AIDAR. These regulations govern how the Agency administers public funds. It is the AIDAR that allows USAID to make reasonable assessments of contractor capabilities and determine who is responsible for costs.

Finally, potential partners should be aware of legislation that provides criteria for funding decisions. The **Federal Grant and Cooperative Agreement Act** helps to guide the selection of the funding mechanism—grant, cooperative agreement, or contract—that forms the relationship between USAID and a potential partner. Finally, the **Competition in Contracting Act**, which is a foundation for the FAR, is a law that mandates open competition to reduce costs.

SLIDE 6: Contract Glossary

Now, we will review some common terms and abbreviations so you can begin to understand the language included in acquisition solicitations. This also will help you understand what USAID is looking for in these proposals.

- First, a **Request for Proposal (RFP)** is the document the Agency uses to announce acquisition, or contractor, funding opportunities. The document states the requirements of a proposal or quotation. It also explains how USAID will evaluate submissions to select a contractor.
- According to Federal Acquisition Regulations, **line items** in your budget are designed to define deliverables or organize information about deliverables. Each line item in the budget describes characteristics for each item purchased, such as pricing, delivery, and funding information.
- A **Negotiated Indirect Cost Rate Agreement (NICRA)** is a document that reflects an estimate of indirect cost rates negotiated between the U.S. Government and a U.S. organization. It may take new partners some time to establish a NICRA. Before their NICRA is in place, partners may instead use a 10-percent de minimis rate pursuant to USAID’s approval.
- A **financial review** is an analysis of a USAID-funded organization’s financial policies, procedures, systems, and controls. A financial review helps the Agency make sure a financial management system is in place and working properly in accordance with financial regulations. The information in a financial review can also help a partner improve its financial systems.
- The **Contractor Performance Assessment Reporting System (CPARS)** is a system used by USAID to evaluate and record various aspects of a contractor’s performance. The assessment occurs after an award is granted and looks at different areas of performance, such

as quality, schedule, cost control, management, small business utilization, and regulatory compliance. A CPARS score tells you how well you are performing.

- A **Contracting Officer's Representative (COR)** is your main point of contact with USAID for technical matters. The COR performs a variety of duties associated with contract administration and technical functions, including serving as the technical liaison between the partners and the Contracting Officer (CO), who holds decision-making authority related to the contract. The COR monitors the partner's performance and may be delegated certain administration functions and authorities that are otherwise vested in the CO.

Find links to additional terms and acronyms, as well as details on using the 10-percent de minimis rate, in the "Resources" section at the end of the module.

DIVIDER SLIDE: Contract Types

Now, we will go over the different types of USAID contracts.

For acquisition awards, USAID determines the contract type that fits the solicitation and the work you will do.

There are two broad types of contracts: fixed-price and cost-reimbursement.

SLIDE 8: Fixed-Price Contracts

In general, fixed-price contracts are used to make payments when a partner completes agreed-upon milestones.

These contracts are usually used to buy services, equipment, goods, or supplies for which the contractor provides the rationale for prices.

The price of goods or services in these contracts can either be fixed or the contract can include some form of a price adjustment.

In a **firm fixed-price contract**, the value of the contract is set at the time of the award. With a firm fixed-price contract, the amount paid cannot change, even if the contractor's cost changes while performing the work or providing the goods covered by the contract. Because this contract does not allow for any cost adjustments, the partner takes on maximum risk and full responsibility for all costs, as well as for any profit or loss.

A **fixed-price contract with economic price adjustment** allows for *some* revision of the contract price. For example, the amount paid could potentially be increased if there is an increase in the contractor's cost of materials.

See the Federal Acquisition Regulations, Part 16.2, for more details on "Fixed-Price Contracts."

SLIDE 9: Cost-Reimbursement Contracts

The second main type of contract USAID offers is a cost-reimbursement contract. This type of contract is usually used for longer activities that involve extensive technical assistance, where USAID is heavily involved in the activity's implementation.

Cost-reimbursement contracts provide for payment of allowable costs to the extent prescribed in the contract. These contracts establish an estimate of total cost and a payment ceiling the contractor may not exceed (except at its own risk) without the approval of the Contracting Officer.

For this type of contract, USAID is heavily involved in implementation and milestones are not set at the beginning of the activity. Instead, an *estimate of total cost* is set at the time of the award. The contract includes details about costs the Agency will allow to be reimbursed to the partner as it implements the activity.

The most widely issued contract is the **cost-plus-fixed-fee contract**, where the partner is reimbursed for allowable costs *and* receives a predetermined fee.

See the Federal Acquisition Regulations, Part 16.3, for more details on cost-reimbursement contracts.

SLIDE 10: Cost-Reimbursement Contracts

Some cost-reimbursement contracts include fees, and some do not.

A contract without fees is simply called a cost contract.

Three types of contracts do include fees. These three contract types are the cost-plus-incentive-fee contract, the cost-plus-award-fee contract, and the cost-plus-fixed-fee contract.

The cost-plus-fixed-fee contract is the most widely issued of these three USAID contracts. In this type, the partner is reimbursed for costs and receives a predetermined fee.

SLIDE 11: Contract Subtypes

There are many variations of these two main contract types. In this module, we will describe three primary subtypes of federal contracts. A full list of contract subtypes can be found in a link on the "Resources" slide.

First are **incentive contracts**. These are either fixed-price or cost-reimbursement contracts. With this type of contract, incentives are included in the contract. Incentives can be tied to actual costs, performance, or delivery. For example, a contractor might receive a profit payment when it meets a tight deadline.

Next is the **Indefinite Delivery Indefinite Quantity contract, or IDIQ**. This type of contract is used to acquire supplies or services when the exact times or quantities delivered are not known at the time of the award. Because the actual scope of work is not yet known, the basic IDIQ contract has minimum and maximum limits, described either as units (for supplies) or as dollar values (for services).

Other USAID contract subtypes are **time-and-materials contracts and labor-hour contracts**. With these contracts, the total contract value is determined by actual costs of materials that will be purchased and hours of labor that will be performed. These are not fixed-price contracts, so the contracts themselves provide no profit incentive for controlling costs. That means additional oversight by the U.S. Government is necessary to ensure that the contractor uses efficient methods and cost controls.

SLIDE 12: Contract Types (Summary)

Here are the main points we have covered so far.

- With an acquisition contract, USAID is involved in implementation and defines the primary direction of an activity.
- Funding is governed by rules and regulations found in three sources: the Automated Directives System (ADS), the Federal Acquisition Regulations (FAR), and USAID Acquisition Regulations (AIDAR).
- The USAID contract type—whether fixed-price, cost-reimbursement, or some other form of contract—is determined primarily by the Agency’s development objectives.

DIVIDER SLIDE: Solicitations

Now that you are familiar with the different types of acquisition contracts, we will discuss how to evaluate activity criteria under the terms of these contracts. This will allow you to identify whether a specific solicitation or funding opportunity might be a good fit with your organization.

SLIDE 14: Identify Opportunities (GRAPHIC)

First, you need to find acquisition funding opportunities. You can begin on SAM.gov. There, you can use filters—such as keyword or location—to narrow your search and find opportunities that fit your sector or your geographic area, for example.

You do not need an account to view these contract opportunities, but there *are* benefits to having an account. With an account, you can save searches, add your organization to lists of “Interested Vendors,” and receive updates when the status of an opportunity changes.

Another place to find Agency solicitations is USAID.gov. This is where you will find USAID’s Business Forecast, which is updated daily. There, you can download information about potential opportunities and use filters to sort by date, sector, and award type.

SLIDE 15: Explore Opportunities

Here, on the left, you can see a screenshot of what an actual notice of funding opportunity for an acquisition award looks like on SAM.gov. This is from USAID/Jordan.

On the right, you can see highlighted in the blue box a link to a budget template for this same funding opportunity. As we mentioned before, each Request for Proposal, or RFP, will include instructions, guidelines, and links to templates you can use when responding to that funding opportunity.

SLIDE 16: Find a Good Fit

When you identify a solicitation you are interested in, read it carefully to understand exactly what USAID is looking for. Details of the solicitation will help you determine whether an activity is a good fit for your organization. If you decide to submit a proposal, these details will guide your preparations.

To help you evaluate an acquisition solicitation:

- First, determine the main parameters of the contract's requirements.
- Second, review the specifications and requirements of the RFP.
- Third, read the instructions several times. These instructions tell you how to prepare your technical and cost proposal, Section L of the RFP.
- Fourth, closely examine the evaluation criteria, which you will find in Section M of the RFP.

We will explore these steps in the next few slides.

SLIDE 17: Determine Parameters (GRAPHIC)

The first step is determining the solicitation's main parameters. You can usually find them on the first page of the solicitation.

In this example of an RFP from USAID/Liberia, you can see that the timeline is five years. The cost range of the contract is 20 to 21 million U.S. dollars in this cost-plus-fixed-fee contract. You might remember that this is the type of cost-reimbursement contract most often used by the Agency.

An RFP always also includes a proposal deadline and a general overview of activity goals.

SLIDE 18: Determine Parameters (GRAPHIC)

Here is another example of parameters from USAID/Sri Lanka, where—in addition to the parameters mentioned in the previous slide—you will notice that the first item circled in red is a call for a full and open competition. The second item circled in red shows which organizations are eligible. And the third item circled in red is a requirement for proposed costs to be appropriate, realistic, and reasonable.

This portion of the RFP also states that the best value will be determined by evaluating both the technical proposal and the cost proposal.

SLIDE 19: Review the Description, Specifications, or Work Statement

Once you understand the general parameters of the RFP, the next step is to carefully read either the description, specifications, or work statement. You will usually find this in Section C of the RFP.

In this section, USAID provides the goals, objectives, anticipated results, and suggested interventions.

As you read this portion of the solicitation, assess how the goals, objectives, and anticipated results fit your organization's strengths, expertise, and past performance. Also consider what materials and staff you need to implement the contract.

USAID often asks applicants to copy the description, specifications, or work statement into their technical proposals. The winning partner's work statement is then inserted into the final award.

SLIDE 20: Budget Proposal Preparation Instructions

It is important to read the instructions for preparing a budget proposal several times. *Every detail is essential.*

The instructions are in Section L of the RFP. You will find important information and guidance, such as submission details, required forms and formats, cost and budget category details, budget narrative requirements, and references to applicable regulations.

You should know that it is very important to clearly and comprehensively prepare a strong budget narrative. This is too often left out or weak in acquisition proposals. As a new, potential offeror or USAID contractor, you want to make sure that your budget narrative is done properly. Otherwise, your proposal may be disqualified from the procurement process.

In many acquisition solicitations, you will also find contractual requirements, which consist of details and rules to follow when you are preparing these five sections of your cost proposal:

- Representations, certifications, and other statements;
- Organizational policies and procedures;
- Evidence of responsibility;
- Letters of commitment; and
- Information to support consent to major subcontractors.

SLIDE 21: Evaluation Criteria for Cost Proposals

USAID will evaluate your cost proposal and level of effort on three points.

First, are your proposed costs **reasonable**. Reasonable costs are generally recognized as ordinary and necessary and would be incurred by a prudent person or organization.

Second, are they **allocable**, or costs that are incurred specifically for the award.

Third, are your proposed costs **allowable**. These would include costs that are not disallowed by terms of the award.

Your budget will be incomplete if any one of these criteria is absent. To avoid this, conduct a final review to ensure your cost proposal properly fulfills the criteria—and, most importantly, whether it demonstrates to evaluators that you clearly understand the contractual requirements—before you submit.

SLIDE 22: Solicitations (Summary)

To summarize, when you are considering a solicitation, you can determine whether the opportunity is a good fit for your organization by carefully reviewing all the details, including the solicitation's requirements, award management expectations, budget, and evaluation criteria.

Remember, this type of USAID funding is awarded on a competitive basis. You will want to carefully assess whether your organization is ready to submit a successful proposal that fits with your capabilities and organizational plans. Do not be concerned if you determine that your organization is not ready yet; there will be other opportunities in the future.

DIVIDER SLIDE: Cost Proposal Requirements

Now that we have discussed how to determine whether your organization is ready for funding opportunities, we will review the elements of a proper budget proposal. The following slides cover details you need to include in sections of the proposal—but remember, we are not covering everything you will need to address in the proposal. Read the instructions carefully and be sure to ask for assistance.

SLIDE 24: Cost Principles

First, review the cost principles, or rules, that govern your type of organization. Use the Code of Federal Regulations (CFR) to determine which cost principles you must follow when preparing your proposal.

Is yours a commercial organization? These organizations use CFR Title 48, Part 7, as well as FAR Part 31 and AIDAR Part 731.

Nonprofits use CFR Title 2, Part 230.

Educational institutions use CFR Title 2, Part 220.

Overall guidance on administrative, cost, and audit principles at CFR Title 2, Part 700.

Links to these rules are provided in the “Resources” section at the end of this module.

The RFPs may provide guidance about the budget format and templates to use.

All costs should be explained in detail and include sources of estimates, such as vendor quotes or previous activities. This will help USAID evaluators understand the cost implications of your proposed activities.

SLIDE 25: Budget Categories

Acquisition proposals must be prepared using Standard Form 33, called “Solicitation, Offer, and Award.”

Each RFP may provide details about the required categories you must complete in that solicitation form. They typically include salaries and wages; fringe benefits and allowances; travel and transportation; equipment and supplies; subcontractors and consultants; other direct costs; indirect costs; and fixed fees. As we discuss each of these categories, we suggest you write down any questions you have to review with your Contracting Officer.

You may recall that line items in your budget are how you define and organize information about deliverables covered by the contract. When putting information together for the required cost categories, it is important to follow the “Uniform Use of Line Items” requirements in ADS Chapter 302.

However, the solicitation you are applying for will provide the line-item structure you should follow in your proposal. In other words, you should group costs into the categories established in the RFP. You can find more information and examples of line-item structure in ADS Chapter 302.

Our focus in this module is on preparing budgets for acquisition solicitations. You can also explore the “Preparing Budgets for Assistance Awards” training module. A link is provided in the “Resources” section at the end of this module.

SLIDE 26: Salaries and Wages

The first section in every acquisition budget proposal is called “Salaries and Wages.”

Every solicitation asks for a list of key personnel and staff required for your project. These are the people necessary to carry out the activity. Your budget proposal should include the following for each key individual you have identified at the time of the proposal submission:

- Position;

- Name;
- Nationality;
- Daily rate;
- Number of proposed workdays; and
- Total costs.

Remember, you must follow the requirements, salary limits, and cost thresholds provided.

For personnel *other* than the key personnel, you will include the same details, except for names.

For proposed workdays, you may be asked to indicate long-term or short-term personnel involvement as a number of days or as a percentage. For example, 50 percent implies that a person will be working 50 percent of his or her time on the activity. The RFP will give you the method you should use to calculate proposed workdays or the level of involvement.

Read the solicitation to understand where you should include any labor costs for consultants. It will be either in the salaries section or the contracts section.

It is important to be aware of how you will calculate and justify cost escalations for personnel. You want to make sure you account for salary increases based on inflation. If you *don't* calculate this adjustment, it can result in under-budgeting and an unrealistic budget that does not allow you to complete the work with fair and reasonable pricing.

A properly projected, properly constructed budget helps your organization show its capacity and sustainability and build a relationship with USAID.

SLIDE 27: Fringe Benefits and Allowances

In addition to salaries and wages, an organization may provide employees with *fringe benefits*—such as vacation days, health insurance, and retirement benefits. Remember, fringe benefits vary from country to country, so you want to make sure you are in compliance with local labor laws.

These may be presented as direct costs or as a percentage as authorized by a Negotiated Indirect Cost Rate Agreement, or NICRA. For partners with an approved NICRA, the Agency often preapproves fringe benefit rates. Partners without a preapproved fringe benefit rate may opt for the 10-percent de minimis rate or propose a different rate and explain in detail how the proposed rate was determined.

If you are proposing a fringe benefit rate, your budget narrative must include a detailed breakdown of all fringe benefits and their costs, expressed both in U.S. dollars and as a percentage of salaries. Be sure to include benefits types for both international and cooperative country national staff as needed.

In addition to fringe benefits, *benefit allowances* may be given to certain staff for costs such as housing, storage, and education. Allowances must be broken down by specific type (such as danger pay or

housing) and by person. The U.S. Department of State's Office of Allowances has a website where you can find allowance rates by country. This is called the Department of State Standardized Regulations, or DSSR, and you can find a link to the site in the "Resources" section of this module.

SLIDE 28: Travel and Transportation

In your budget proposal, it is important to clearly separate domestic and international travel costs.

Your proposal must provide the number of trips you anticipate—*both* domestic and international—and the estimated cost per trip, including airfare and per diem, which covers expenses such as lodging and food.

Be sure to clearly describe the basis of your calculations. For example, you may provide a description explaining that a unit cost is based on a quotation provided by travel agency Fly High, per diem is calculated for "X" days in-country, and so on.

Each international trip must be approved in advance. Also, whenever possible, the trip must comply with the Fly America Act/Open Skies Agreement, which governs the use of U.S. air carrier services for travel that is funded by U.S. Government contracts. Your travel plan must list the origin and destination, purpose, duration, and the number of people traveling.

Before filling out this section, review USAID travel regulations and the lodging limits and standard per diem reimbursements. You can find more guidance on per diem rates on the website of the U.S. Department of State's Office of Allowances, a link to which is provided at the end of this module.

SLIDE 29: Equipment and Supplies

"Equipment and Supplies" is the next section of your proposal. Federal and USAID rules require you to break down and explain pricing and to justify all equipment and supplies.

Equipment, which is also called non-expendable personal property, is defined as tangible property with a useful life of more than two years and a unit cost of more than 500 U.S. dollars.

Supplies include all other items that cost less than 500 dollars and consumable supplies, such as pens, pencils, and paper.

For higher-cost equipment, such as vehicles, be sure to explain why it would be more advantageous to purchase equipment rather than lease it. Certain equipment categories—such as medical equipment or used equipment—require separate approvals from USAID. You should highlight these separately.

SLIDE 30: Subcontractors

USAID partners may work with subcontractors to meet activity objectives. In your proposal, you may identify the subcontractors you are working with to properly account for their costs.

A subcontractor is a partner contracted by a lead, or “prime,” partner to help with activity implementation. A subcontractor helps make programming decisions, and its performance is measured against activity goals.

If you are the prime contractor, you need to request approval for proposed subcontractors in your cost proposal. The budget total for each known subcontractor should be included in your overall detailed budget worksheet. Subcontractors can also be added after the award is issued to the prime, and the prime can seek USAID’s consent to pursue the subcontractor at a later date when the need is identified.

You can submit budgets for each subcontractor in separate worksheets or tabs of your Excel file. The format of a subcontractor’s budget should be the same as that of the prime’s budget and include relevant cost categories.

In the “Resources” section, you will find the link to the “Building Strong Sub-Partnerships” training module so you can learn more about how to develop effective partnerships with other organizations.

SLIDE 31: Consultants

Partners may also work with consultants to meet activity objectives. A consultant is a technical expert or specialist who is not your regular employee. Consultants must not be employees in disguise.

A consultant is also considered a subcontractor. In this section of the proposal, you should include any consultant labor costs.

If your technical approach requires the use of grants under contract, these costs should be included in this section of the budget.

SLIDE 32: Other Direct Costs

The “Other Direct Costs” section of your proposal generally includes two types of costs: field office operations costs and programmatic costs. Sometimes, the line between these two categories is difficult to determine. Do your best to assign direct costs to either the operations or programmatic function.

Some costs require substantial market research in order to obtain local estimates. These include costs for venues, training materials, transportation, and other procurement related to the project.

Remember to include costs for branding and marking as well as costs associated with environmental

compliance. These are important aspects of your overall compliance with USAID policies, and you want to make sure they are properly and adequately budgeted for.

Although the category is called “Other Direct Costs,” you must carefully identify and estimate any indirect costs. We will cover that in the next slide. Do not simply insert a line item in your budget called “other costs” or “miscellaneous costs.”

SLIDE 33: Indirect Costs

Indirect costs include expenses that cannot be attributed to one activity or contract, such as costs in the head office for implementing multiple activities or contracts. Examples include utilities, such as electricity and water, or services needed for operations, such as information technology support.

Rates for indirect costs may be submitted in two ways.

Established partners—in other words, those that have longer experience with USAID—would typically apply preapproved rates from a NICRA with the Agency.

It usually takes some time to establish a NICRA agreement. If you don’t have one, your organization will probably be considered a “new partner.”

New partners without a NICRA may opt to use a 10-percent de minimis rate for indirect costs, pursuant to USAID’s approval. You may be asked to provide supporting documentation before your de minimis rate is approved.

Learn more about the de minimis rate for indirect costs through the link provided in the “Resources” section at the end of the module.

SLIDE 34: Fixed Fees

U.S. Government regulations provide profit-analysis factors to enable you to propose and support a fixed fee, or profit. You may provide information in this section to help USAID understand your proposed fixed fees and how you established them.

Fixed fees usually cover things that cannot be predicted in advance, such as performance efficiencies or risks of operating in a certain country. These are the payments the partner receives beyond what has been clearly defined in the solicitation as allowable costs.

Note that you must follow U.S. regulations on establishing a profit or fee, and it may not exceed limits imposed by the U.S. Government.

SLIDE 35: Budget Narrative

The budget narrative section of the proposal enables USAID to see precisely how money will be spent to implement the activity. It includes explanations of budget categories, descriptions and justifications of each line item in your proposed budget, and sufficient detail to allow USAID to assess proposed costs and see precisely how funds will be spent.

To make it easier for reviewers to understand, ensure that your budget narrative follows the exact format of your detailed budget. Do not describe mathematical transactions; rather, explain the rationale for the proposed costs.

Remember, it is very important to make sure that your budget narrative is strong. It should clearly explain the basis for costs and it must be *comprehensive*, so it presents all the information required. It must also be *consistent* with your cost totals and the interventions you describe in your technical proposal.

SLIDE 36: Detailed Budget Example (GRAPHIC)

Here is an example of how a budget is structured. Costs are estimated for the full period of performance, that is, for every year of the program. Budget categories appear in the column to the left, and many times you will see the number of units and the cost per unit calculated for each budget category for each year. Costs are totalled for each category across all years and across all categories for each year. Notice that cost calculations must include indirect percentage rates and inflation factors.

This is just one way to present your proposed budget. On the USAID.gov web page for this training module, you can find a sample budget template you can use to explore the structure and information needed when preparing your budget. Remember, though, that USAID may provide an alternative template and instructions for a given acquisition solicitation you are interested in.

SLIDE 37: Detailed Budget Example (GRAPHIC)

This slide shows part of a travel section from a detailed budget. The details here are referred to in the budget narrative, which we will see on the next slide. Notice that each category in the budget has been given a unique number to identify it. These numbers will match the relevant sections of the budget narrative.

SLIDE 38: Budget Narrative Example (GRAPHIC)

Here is an excerpt of the matching budget narrative. This is an example of the type of language and details USAID expects you to include to explain each line item. Make sure the numbers included in the narrative match the category numbers in your detailed budget.

SLIDE 39: Sample Budget Summary (GRAPHIC)

The budget summary is a brief view of your entire budget for easy reference. This sample budget summary includes the budget's major categories and shows costs by year, in addition to totals for three years. Notice the line for "Fixed Fee," or profit, which is allowed under acquisition awards (for contracts) but not under assistance awards (for grants and cooperative agreements).

You can generate a budget summary from any detailed budget worksheet you create in Excel or other budget software. To do this, simply create a separate "Budget Summary" tab and link the category totals to the budget summary category lines. Doing so will also ensure that all amounts are correct.

The budget summary is usually the last section of your budget proposal.

SLIDE 40: Sample Budget Summary (GRAPHIC)

Here is another example of a budget summary. You can see that costs are totalled by cost category and type of programming or intervention. You can see at the top that estimated costs are also summarized by purpose, or primary objective, of the contract. This is helpful for USAID and for you to clearly see where costs are incurred and track funds accordingly.

SLIDE 41: Team Coordination

A proper budget proposal for a USAID acquisition contract involves researching many details and carefully thinking about the way you will implement the interventions you propose. This should be a team effort. It requires collaboration among different departments of your organization to ensure that all pieces of your proposal are aligned.

As you prepare the budget proposal, coordinate with different teams across your organization. With your technical team, ensure that proposed costs match the program design. With your human resources team, confirm that labor costs are in line with negotiated costs and your policies. With your in-country team, ensure that travel and other costs are reasonable and appropriate.

Be sure to include time for a final review of the proposal by colleagues who would administer any award agreement.

SLIDE 42: Key Points

We covered a lot of information in this module. Let us review some of the key points.

To successfully prepare a budget proposal for a USAID acquisition solicitation, you should:

- Evaluate a solicitation's main parameters and the description, specifications, or statement of work. This will help you determine whether the funding opportunity is a good fit for your organization's strengths and past performance.

- Review all aspects of a solicitation’s instructions. This helps you ensure that you understand the forms and information that are required and the regulations you must follow.
- Include details and sources for your cost proposal. This allows USAID to see that your budget is reasonable, allocable, and allowable.
- Coordinate with relevant team members to confirm that proposed costs match activity design and your policies.
- Finally, develop a budget narrative that clearly explains costs for different line items.

We encourage you and your staff to download the quick reference guide so you can easily refer to the information you learned in this module. You can find additional guidance in other modules of the “How to Work with USAID” training series.

SLIDE 43: Resources

Here are the resources we shared during this presentation. On the USAID.gov web page for this training module, you can find a sample budget template we mentioned earlier. This may help you explore the structure and information needed when preparing your budget.

SLIDE 44: Thank You

Thank you for taking time to learn about USAID’s requirements for preparing budgets for USAID acquisition solicitations. We hope this training module has been helpful.

We invite you and your staff to review the other modules available in our “How to Work with USAID” training series to continue improving your skills and understanding of the Agency’s operations.

SLIDE 45: Acknowledgement

This module was produced by the United States Agency for International Development. The presentation team includes staff from USAID and the Partnerships Incubator.

USAID thanks all the individuals who contributed their time and ideas toward the development of this training module.

Please email any feedback and questions to IndustryLiaison@usaid.gov.